



Use Tax Facts for Vehicle Transactions

Since 1935, Washington residents have had the responsibility under state law to pay use tax on the purchase of a vehicle from a private party. The use tax is applied at the same rate as sales tax at the purchaser's address, and is paid by the buyer when the car title is transferred.

How is the use tax determined?

By law, the use tax is based on the value of the vehicle you purchase. When the purchase price reflects the average fair market value of a vehicle, the use tax is based on what you paid. The state will accept your bill of sale as evidence of the vehicle's value as long as the purchase price is no more than \$2,000 below average fair market value. If the purchase price is more than \$2,000 below average fair market value, then the use tax is based on average fair market value unless you can provide evidence that is worth less. Note that no use tax is due on cars that are given to you, as long as the giver paid sales or use tax on the vehicle.

What if my car is really worth less than average fair market value?

If the price you paid truly reflects the average fair market value of the vehicle after its condition is taken into account, then use tax can be assessed on what you paid. You must provide documentation to support the lower value. You cannot, however, pay less use tax just because you got a great deal on a car.

Must I always establish that my car is worth less than average fair market value?

No. If the average fair market value of your vehicle is \$3,000 or less, the use tax will be based on the purchase price. In this case, the \$2,000 leeway noted above becomes irrelevant.

Can you provide examples of how the use tax is applied?

Yes. Here are three examples that illustrate how the use tax works:

Example A – Vehicle purchase price within \$2,000 of fair market value

Fair market value:	\$11,500
Purchase price:	\$10,000
Difference	\$1,500

Purchase price is within \$2,000 of fair market value, so use tax is based on purchase price. At a rate of 8%, the use tax on \$10,000 would be \$800.

Example B – Vehicle purchase price more than \$2,000 below fair market value

Fair market value:	\$11,500
Purchase price:	\$8,000
Difference	\$3,500

Purchase price is more than \$2,000 below fair market value, so use tax is based on fair market value unless purchaser can demonstrate that vehicle is worth only \$8,000. At 8%, the use tax on \$11,500 would be \$920. However, if it is determined that the value of the vehicle is only \$8,000 based on its condition, then the use tax would be \$640 based on a value of \$8,000.

Example C – Vehicle fair market value below \$3,000

Fair market value: \$2,500

Purchase price: \$1,000

Fair market value is less than the \$3,000, so the use tax is based on the purchase price of \$1,000. At 8%, the use tax on \$1,000 would be \$80.

How can I document that my vehicle is worth less than fair market value?

You can establish a lower value for your vehicle several ways:

- Have the seller and buyer sign an affidavit verifying the sales price and condition of the vehicle;
- Provide documentation from another car pricing guide, such as NADA or Kelley Blue Book, which cites a lower average retail value for your vehicle. In this case, the state will accept a purchase price of up to \$2,000 below the average retail value you supply. Either photocopies from printed publications or printouts from the Internet are acceptable;
- Get an estimate of repairs by a registered mechanic;
- Obtain an appraisal by a registered car dealer;
- Observation by a Revenue employee where the poor condition of the vehicle is evident (not available at all office locations).

Who do I contact if I have questions?

For further information please visit our web sites at <http://dol.wa.gov> or <http://dor.wa.gov>, or call one of the Department of Revenue field offices below:

<u>City</u>	<u>Address</u>	<u>Phone Number</u>
Bellingham	1904 Humboldt St. Suite A	(360) 676-2114
Everett	11627 Airport Rd. Suite B	(425) 356-2911
Kent	Centerpointe Campus, Cascade East Building, 20819 72nd Ave South, Suite 680	(253) 437-3440
Port Angeles	734 E. First St. Suite B	(360) 457-2564
Richland	1657 Fowler Street	(509) 734-7526
Seattle	2101 Fourth Ave. Suite 1400	(206) 956-3000
Spokane	4407 N. Division Suite 300	(509) 482-3800
Tacoma	3315 S. 23rd St. Suite 300	(253) 593-2722
Tumwater	6500 Linderson Way SW	(360) 705-6676
Vancouver	8008 NE 4th Plain Blvd. Suite 320	(360) 260-6176
Wenatchee	630 N. Chelan Ave. Suite B-3	(509) 663-9714
Yakima	1714 S. 16th Ave.	(509) 575-2783